

## DEFERRED COMPENSATION PLAN

Supplemental Benefit

SPRING 2022

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## DEFERRED COMPENSATION PLAN - SUPPLEMENTAL BENEFIT

# DEFERRED COMPENSATION PLAN NEWS

## Protect your retirement assets!

### *Check your beneficiary information*

As a deferred comp participant, you likely contribute to another SERS retirement plan, too. The assets you've saved and earned in all your SERS plans could be some of your largest financial assets. Protect those assets by ensuring they go to the person, people, or organizations you want after your death by keeping your beneficiary information current!

Check your beneficiary designations for **each** plan at least annually and after a life-changing event like a marriage or the birth or adoption of a child. Even if you have a will, without a beneficiary form on file **for each individual** plan, the assets from that plan may go to your estate and result in estate taxes.

If you are currently working for a SERS-participating employer, you should have received your 2021 annual retirement statement from SERS. That statement lists the beneficiaries you have designated for **each** of your SERS plans.

You can update your deferred comp plan beneficiary information by signing into your **online deferred comp account** and selecting the "View/edit beneficiary information" option from the "I want to" menu.

To change your beneficiary information for any other SERS plan, please see [SERS.pa.gov/Beneficiary.html](https://www.sers.pa.gov/Beneficiary.html).

## Understanding retirement plan fees

When you're planning for your future retirement, do fees factor into your plans? It's an important question. Even a small difference in fees can add up to a sizable difference in future retirement income. How much? It depends on your account balance, your average annual return, and other factors. A Department of Labor study<sup>1</sup> found that an increase in fees from 0.5% to 1.5% would translate into \$64,000 less for a person with an initial account balance of \$25,000 and an average rate of return of 7% after 35 years (assuming no further contributions). In other words, fees can have a big impact on your savings, but research shows<sup>2</sup> that about 40% of retirement plan participants don't understand fees.

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Retirement plan fees generally fall into one of two categories:

- **Administrative fees:** These fees cover the expenses of running your retirement plan. They pay for recordkeeping, accounting and legal support as well as educational programs, statement production, the plan website and other services.
- **Investment fees:** These fees are charged by the investment funds in the plan for investment management and related services and presented as a percentage of the value of your investment in the fund, called an expense ratio. These fees are deducted before the daily price or performance is calculated.

It's important to remember that all investments come with fees, but your plan uses the combined negotiating leverage of you and your fellow participants to keep fees as low as possible. Also, the plan and investment documentation clearly disclose fees, so you'll always know how much you're paying.

Do you have questions about your retirement plan fees and what they pay for? Contact your local representative for more information.

1 Department of Labor, "A Look at 401(k) Plan Fees," September 2019.

2 CNBC.com, "Roughly 40% of Americans don't understand 401(k) fees, government watchdog finds," August 26, 2021.

## 2022 contribution limits

### Maximum

If you are not eligible for one of the special catch-up provisions, you may contribute up to \$20,500 or 100% of your compensation, whichever is less.

### Special catch-up provisions:

- If you are age 50 or older, you can make additional contributions, up to an additional \$6,500, for a maximum of \$27,000 for 2022.
- If you are within three years of the SERS retirement age for your SERS plan and/or class of service, you may be able to contribute up to \$41,000 in 2022.

Only one catch-up provision may be used in any one tax year, and the amounts you may contribute are based on the amounts you were eligible to contribute to the plan in previous years but did not.

### Minimum

The minimum contribution election is \$5 each pay period or 0.5% of pay each pay period (the latter may be increased in 0.5% increments).

For more information, talk with a deferred comp specialist at **1.800.633.5461, option 1.**

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